

# **i Capital International Value Fund**

ARSN 134578180

## **Quarterly Investment Report For the period 1 October 2009 to 31 December 2009**

# **i Capital International Value Fund**

**Interim Report of the Fund Manager**  
for the period 1 October 2009 to 31 December 2009

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## **Fund Performance**

This is the second quarterly report of *i Capital International Value Fund* for the six months ended 31 December 2009.

For the period between 1 July 2009 and 31 December 2009, the net asset value (NAV) of *i Capital International Value Fund* rose by 1.12% or from AUD1.00 to AUD1.0112 <sup>(1)</sup> per unit. This compares with a 7.89% rise in the MSCI World Index (AUD) <sup>(2)</sup> and an 8.75% rise in the MSCI All Country Index (AUD) <sup>(3)</sup> during the said period.

In the said period, your Fund's NAV has risen less than the benchmark indices because of the strong AUD. This is not surprising, as a currency analysis of your Fund's portfolio would show that the stocks held were skewed towards non-AUD denominated currencies. By 31 December 2009, around 50% of your Fund's portfolio was invested in Hong Kong listed companies and 23% in Singapore listed companies.

As an indication of the impact of this adverse currency movement, the total unrealised capital gain as at 31 December 2009 of AUD1.563 million was reduced to only AUD0.431 million, due to the unrealised currency loss of AUD1.132 million.

Seen from another angle, out of the 12 stocks held by your Fund, 9 of them registered unrealised capital gains with only 3 registering unrealised capital losses. Table 1 shows the percentage gain or loss of each company held by your Fund as at 31 December 2009. This table assumes no impact from currency movements. Table 2 shows the percentage gain or loss arising from currency movements as at 31 December 2009, assuming no change in stock prices.

- (1) Past performance is not a reliable indicator of future results
- (2) This index comprises prices from 23 developed countries.
- (3) This index comprises prices from 48 countries, including China.

## i Capital International Value Fund

### Interim Report of the Fund Manager

for the period 1 October 2009 to 31 December 2009 (continued)

#### Fund Performance (continued)

Another factor that held back your Fund's performance during the July to December 2009 period was the fact that it needed time to build up its portfolio. Table 3 shows that the percentage of assets held as cash was rather high. Such a high level of cash would have served your Fund well if the global stock markets were falling. Unfortunately, the global stock markets were rising during this period.

Table 1 Shows the percentage gain or loss arising from stock price changes <sup>(1) (4)</sup>

Securities in Australian Dollars	Average Cost (A\$) <sup>*</sup>	Price (Dec 2009) A\$ <sup>*</sup>	% Change
BANK OF EAST ASIA HK	3.82	5.05	32.20
BEIJING CAPITAL LAND LTD - H	0.56	0.55	-1.79
FRASER AND NEAVE LTD	3.40	3.65	7.35
GALAXY ENTERTAINMENT GROUP LTD	0.55	0.45	-18.18
KEPPEL CORP LTD	6.06	7.07	16.66
MERMAID MARINE AUSTRALIA LTD	2.96	3.04	2.70
MERMAID MARITIME PCL	0.59	0.71	20.33
NEW WORLD DEPT STORE CHINA	1.01	1.13	11.88
PORSCHE AUTOMOBIL HOLDING SE	90.73	74.15	-18.28
REXLOT HOLDINGS LTD	0.10	0.13	30.00
TESCO ORD 5P	7.50	8.57	14.26
YIP'S CHEMICAL HOLDINGS LTD	0.70	1.03	47.14

<sup>\*</sup>Assume constant exchange rates.

- (1) Past performance is not a reliable indicator of future results.  
 (4) Please note numbers have been rounded to two decimals.

## i Capital International Value Fund

### Interim Report of the Fund Manager

for the period 1 October 2009 to 31 December 2009 (continued)

#### Fund Performance (continued)

Table 2 Shows the percentage gain or loss arising from currency movements <sup>(1) (4)</sup>

Securities in Australian Dollars	Average Cost (A\$) <sup>**</sup>	Price (Dec 2009) A\$ <sup>**</sup>	% Change
BANK OF EAST ASIA HK	3.82	3.35	-12.30
BEIJING CAPITAL LAND LTD - H	0.56	0.51	-8.93
FRASER AND NEAVE LTD	3.40	3.10	-8.82
GALAXY ENTERTAINMENT GROUP LTD	0.55	0.56	1.82
KEPPEL CORP LTD	6.06	5.59	-7.76
MERMAID MARINE AUSTRALIA LTD	2.96	2.96	0.00
MERMAID MARITIME PCL	0.59	0.56	-0.05
NEW WORLD DEPT STORE CHINA	1.01	0.90	-10.89
PORSCHE AUTOMOBIL HOLDING SE	90.73	85.38	-5.90
REXLOT HOLDINGS LTD	0.10	0.10	0.00
TESCO ORD 5P	7.50	6.73	-10.27
YIP'S CHEMICAL HOLDINGS LTD	0.70	0.62	-11.42

<sup>\*\*</sup>Assume constant stock prices.

Table 3 Shows the percentage of assets held as cash <sup>(1)</sup>

	Cash	Equities
End of Jul 09	46.84%	53.16%
End of Aug 09	47.90%	52.10%
End of Sep 09	24.24%	75.76%
End of Oct 09	30.51%	69.49%
End of Nov 09	14.82%	85.18%
End of Dec 09	16.69%	83.31%

- (1) Past performance is not a reliable indicator of future results.  
 (4) Please note numbers have been rounded to two decimals.

## ***i* Capital International Value Fund**

### **Interim Report of the Fund Manager**

for the period 1 October 2009 to 31 December 2009 (continued)

#### **Fund Performance (continued)**

The present portfolio of *i* Capital International Value Fund is spread across 12 companies, which are engaged in a wide range of business activities. The top five investments are Mermaid Marine Australia (listed on ASX), Mermaid Maritime (listed on SGX), RexLot (listed on HKEX), Beijing Capital (listed on HKEX) and New World Department Store (listed on HKEX). These 5 investments make up 50% (see page 6) of the total assets. In the October to December 2009 period, your Fund bought Galaxy Entertainment Group (listed on HKEX). Galaxy owns and operates casinos, hotels, etc in Macau. Subsequent to 31 December 2009, your Fund did not sell or buy any stocks.

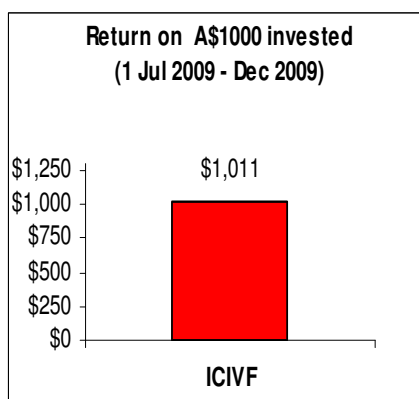


Figure 1

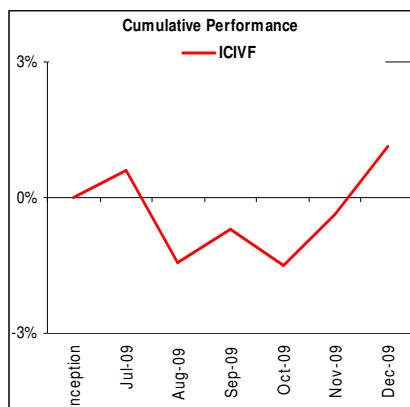


Figure 2

#### **Outlook and Strategy**

Since the global economy went into an unnecessary tailspin in October 2008, governments through out the world have reacted swiftly with all kinds of recovery measures. By now, it is obvious that these actions have succeeded. The global economy, led by China, has recovered and this process is now broadening out and becoming entrenched. As a result, central banks in many countries have started to raise interest rates or tightened their monetary policies.

## ***i* Capital International Value Fund**

### **Interim Report of the Fund Manager**

for the period 1 October 2009 to 31 December 2009 (continued)

#### **Outlook and Strategy (continued)**

Despite solid evidence that the global economy is on a sustainable recovery path, stock markets globally have sold off and are pausing. Why? The market rally since March 2009 has been sharp. With investors still in a jittery mood, the rally meant that investors either had profits to take or smaller losses to suffer. The concerns amongst investors now, in sharp contrast to the period immediately after the collapse of Lehman Brothers, are quite varied. They range from worries that the global recovery is not sustainable to worries that inflation is about to get out of hand or that Asia outside Japan is about to enter another asset bubble. These worries are contradictory and are often based on the wrong cause-effect linkages.

As your fund manager, Capital Dynamics (Australia) Ltd takes a longer-term and thus different view. The collapse of Lehman Brothers resulted in a global panic, which caused the steep economic contraction. This panic has been quickly contained. Global private demand will soon take over the role from public demand as the driver of sustained economic growth. Seen from a global perspective, the Lehman Panic is just a glitch. Since the reforms began in China in 1978, growth in domestic private consumption, although rapid and sustained, has taken a back seat. Now, the Chinese economy has reached an important stage, one where domestic private consumption will assume a greater role in propelling the economy of China and the rest of the world forward. If the economic boom in China in the last 32 years was huge, her economic development in the coming years will have an even more positive impact on the global economy. Amidst the still widespread pessimism and caution, it is useful to mull over the longer-term picture. Are you ready for the next economic boom?

Tan Teng Boo  
Capital Dynamics (Australia) Limited  
ABN 53 129 846 260 AFSL 326283  
22 February 2010

## ***i* Capital International Value Fund**

### **Performance information**

Quarter ended 31 December 2009

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#### **Top 5 out-performance stocks since purchase date (in local currency)**

	<b>Second Quarter 31 Dec</b>
Yip's Chemical Holdings Ltd	46%
Rexlot Holdings Ltd	29%
Bank of East Asia	32%
Tesco PCL	13%
New World Department Store China	12%

#### **Cumulative 1 Jul to 31 Dec**

Yip's Chemical Holdings Ltd	46%
Rexlot Holdings Ltd	29%
Bank of East Asia	32%
Mermaid Maritime Public Co Limited	20%
Keppel Corp Ltd	16%

#### **Top 5 net assets attributable to unitholders at 31 December 2009 (in AUD)**

	51%
Rexlot Holdings Ltd	11%
Beijing Capital Land Limited	8%
New World Dept Store China	9%
Mermaid Marine Australia Limited	12%
Mermaid Maritime Public Co Limited	11%

#### **Country allocation (in AUD)**

	100%
Hong Kong	50%
Singapore	23%
Australia	14%
Europe	8%
United Kingdom	5%

## ***i* Capital International Value Fund**

### **About the Fund**

Capital Dynamics (Australia) Ltd (CDAL), a wholly owned subsidiary of Capital Dynamics (S) Pte Ltd (CDPL), obtained its Australian Financial Services License (AFSL 326283) from the Australian Securities and Investments Commission in December 2008. This allows CDAL to provide funds management and financial advisory services to retail and wholesale investors.

Based in Sydney, CDAL was set up with the aim of providing investors with the proven investment success of the Capital Dynamics group through the launch of the *i* Capital International Value Fund (ARSN 134578180) and individually managed accounts.

Launched in June 2009, the *i* Capital International Value Fund invests in global equities and is managed with a focus on long term capital appreciation while providing distributions.

### **About the Group**

Capital Dynamics (S) Pte Ltd (CDPL), a global fund manager based in Singapore, is the fund manager for the *i* Capital Global Fund.

CDPL commenced operations in June 2006 and is part of the established Capital Dynamics group, which provides fund management and investment advisory services to institutional and retail clients. As a global fund manager, CDPL manages the *i* Capital Global Fund, an open-end fund, and discretionary accounts.

## ***i* Capital International Value Fund**

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### **About the Group (continued)**

Capital Dynamics Asset Management S/B (CDAM), based in Kuala Lumpur, manages icapital.biz Berhad, a closed-end fund listed on Bursa Malaysia, and discretionary accounts. The share price of icapital.biz Berhad consistently trades at a premium to its net asset value.

The Capital Dynamics group traces back to 1988, when its managing director, Tan Teng Boo, an experienced investment manager, founded Capital Dynamics Sdn Berhad, the first independent investment adviser in Malaysia. It provides top quality advice on investments through *i* Capital, its weekly report, and [www.icapital.biz](http://www.icapital.biz), the Internet edition. It supervises 5 portfolios with the oldest started as far back as Sep 1991.

The investment philosophy of the Capital Dynamics group (including that of CDAL) is guided by a sound and rigorous value-investing framework. Essentially, the Capital Dynamics group seeks low risk yet high return types of investment.

The Capital Dynamics group is independent and is therefore not affiliated to any financial institution or political or government organisation. Being owner-operated, the continuity and consistency of the investment approach adopted by the group is assured.

## ***i* Capital International Value Fund**

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### **Notes**

Capital Dynamics (Australia) Limited (CDAL) is the responsible entity and issuer of *i* Capital International Value Fund ("Fund"). The Product Disclosure Statement dated 9 April 2009 ("PDS") is the current offer document for the Fund. You can obtain a copy of the PDS from CDAL's website [www.capitaldynamics.com.au](http://www.capitaldynamics.com.au), or contact CDAL at 1300 798 655, or email CDAL at [info@capitaldynamics.com.au](mailto:info@capitaldynamics.com.au).

Before making any investment decision you will need to consider your particular investment needs, objectives and financial circumstances. You should also consider the PDS in deciding whether to acquire, or continue to hold, units in the Fund.

Disclaimer: The information in this Quarterly Investment Report is not intended to provide advice. It has not been prepared taking into account any particular investor's or class of investor's investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. None of CDAL nor any of its related entities guarantees the performance of the Fund or the repayment of capital or any particular rate of return or any distribution.

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## **i Capital International Value Fund**

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### **Fund manager**

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